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4 APR 1980

Executive Registry

80-018/8

MEMORANDUM FOR: Deputy Director of Central Intelligence

THROUGH: Comptroller

FROM: Leslie C. Dirks
Deputy Director for Science and Technology

SUBJECT: Inspector General Report on Industrial Contracting and Security

REFERENCE: DDCI memorandum to DDA dated 19 Feb 80, same subject (ER 80-018/2)

1. This paper is in response to the action item concerning Recommendation A-1 of subject report levied during our meeting of 6 March. You asked at that time that we interpret the directive as expressing a concern toward an increased consciousness of overrun situations on our industrial contracts. Specifically, you appeared concerned that the Comptroller be provided an early warning mechanism for overruns on Agency-funded contract activities, irrespective of where the performance is occurring.

2. By way of background, all CIAP industrial contracts have notification clauses and monthly financial cost data requirements; specifically, the contractor must provide monthly costs expended, percentage of completion, percentage of total costs authorized, and projection of estimated contract end-cost. Additionally, all of the cost reimbursement R&D contracts contain either a "Limitation of Cost" or a "Limitation of Funds" provision which requires the contractor to notify the Contracting Officer, in writing, when ". . . the contractor has reason to believe that the cost which he expects to incur in the performance of this contract in the next succeeding sixty (60) days, when added to all costs previously incurred, will exceed seventy-five percent (75%) of the estimated cost set forth in the Schedule, or if, at any time, the contractor has reason to believe that the total cost to the Government will be greater or substantially less than the then estimated cost hereof . . .". These conditions are the formal and legal way by which DDS&T



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gets notice or "early warning" of a potential cost growth in a contract endeavor. If, as a result of these provisions, we find that we have a problem, we must seek the approval of the Office of the Comptroller to solve that problem if the resulting reprogramming of funds exceeds \$100,000.

3. In order to assure that this "early warning" is equally available to the Comptroller and his staff, we will henceforth include in our information supplied to the Comptroller for his monthly meetings the essential information from all notifications received under the contract provisions noted in paragraph 2 above. Further, if the Comptroller requests, we will supply copies of the actual contractor's report.

4. We firmly believe that the "comprehensive awareness of all contractual activity" referred to in the referenced directive can be imparted to your designated official, the Deputy Comptroller, and to the DDS&T Group Chief in the Comptroller's Office, under the procedures outlined above.

[Redacted Signature]
Leslie C. Dirks

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CONCUR:

[Redacted Signature]
Comptroller

Date

APPROVE

[Redacted Signature]
Deputy Director of Central Intelligence

Date

4 April 80

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